

October 23, 1985

STATEMENT OF  
THOMAS P. COSTIN, JR., PRESIDENT  
NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES

Mr. Chairman, members of the Committee -- my name is Thomas P. Costin. I am President of the National Association of Postmasters of the United States.

In earlier testimony before this Committee, we outlined the provisions of a supplemental retirement plan which the Nation's Postmasters would support. The program proposed by Congressman Ford and Congresswoman Oaker hardly adopts our suggestion in every detail, but I am delighted to report that the plan meets the Postmasters' most important goals. NAPUS supports the proposal.

CONTRIBUTIONS AND NORMAL BENEFITS

NAPUS urged that mandatory employee pension contributions be maintained at 7 percent, and that the supplements enhance Social Security sufficiently so that the total value of retirement benefits be the same as that of the current system.

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We have sought a normal employer cost of 18.64 percent of payroll, excluding Social Security, and excluding any voluntary contributions to a capital accumulation plan to meet that goal. The Ford/Oakar proposal limits total mandatory employee contributions to 7 percent, and provides a defined benefit plan which costs about 18.2 percent of payroll. These basic features of the proposed plan, together with continuation of early retirement provisions and add-on integration of Social Security, make the new system substantially equivalent to the current program.

#### CAPITAL ACCUMULATION PLAN

This is essentially a savings bank or "thrift" benefit. We have been concerned that this scheme might divert employer contributions before basic retirement benefits have been increased to the proper level. It seems unlikely that our lower-paid members will benefit as much as those more highly compensated and cost estimates may be inflated, based on unrealistic participation projections. We are uncertain how many NAPUS members will participate. However, the Ford/Oakar plan includes a modest thrift plan which would consume, by your estimate, only 1.4 percent of the employer's normal cost. This does not seriously erode employer contributions available for defined benefits and thus does not fatally flaw the proposal.

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I take this opportunity, however, to warn against enhancement of this thrift aspect of the retirement at the expense of contributions toward defined benefits. Few NAPUS members will be able to afford to save 3 percent of their current salaries to take full advantage of this benefit. Yet, if they do not, they may be hard-pressed to garner adequate retirement income. The first goal of retirement benefits ought to be to guarantee the minimum necessary for decent retirement income. Only beyond that level, do thrift plans make sense.

NAPUS will urge all members of Congress to support the Ford/Oakar proposal. It is a realistic and fair plan for moving the Postal employees into the Social Security system.

Thank you, Mr. Chairman, and members of the Committee, for having provided this opportunity to express the views of the National Association of Postmasters of the United States.